



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES
OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., December 18, 2001. The following members were present:

Jody B. Olson
Dennis L. Johnson
J. Kirk Sullivan
Susan K. Simmons
Pamela I. Ahrens

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, and Management Assistant Joanne C. Ax were also in attendance.

Other persons attending portions of the meeting were:

Bill Palumbo	Mountain Pacific Investment Advisors
Brian McGrath	DB Fitzpatrick & Co.
Drew Black	DB Fitzpatrick & Co.
Dennis Fitzpatrick	DB Fitzpatrick & Co.
Robert Schmidt	Milliman USA
Matt Freeman	LSO-BPA
Richelle Sugiyama	PERSI
Cecile McMonigle	PERSI
Rhonda Yadon	PERSI
Gay Lynn Bath	PERSI
Judy Aitken	PERSI
Susan Shaw	PERSI
John Doner	PERSI

OLD BUSINESS Approval of the Minutes: By motion duly made by Trustee Johnson and seconded by Trustee Simmons, the Board unanimously approved the minutes of the November 27, 2001 regular meeting of the Retirement Board.

PORTFOLIO

Investment Policy Review: CIO Robert Maynard had provided copies of the PERSI Investment Policy to the Board. He reviewed six minor suggested changes and will meet individually with Board members before the January meeting to answer questions or concerns. He expects to have the updated policy as an action item at the January meeting of the Board. Chairman Olson encouraged the Trustees to review the policy in the next few weeks. Mr. Maynard said he has distributed lists of conferences for 2002 and encouraged Trustees to plan to attend one to meet trustees from other plans and to keep current on investment issues.

Monthly Portfolio Mr. Maynard discussed his investment report dated December 18th which he had updated from the December 11, 2001 version previously furnished to the Board. In the report, Mr. Maynard noted that

“There is an increasing belief that the economy has bottomed, with attention now being focused on incipient signs of a recovery. The market bounce from the lows of September 23rd appears to have stalled, awaiting new optimistic corporate profit or economic news.

In the current month, emerging markets and growth managers (including Columbus Circle) have the best absolute returns, while bonds (and particularly TIPS) are having a difficult time.

All managers are either within their expected characteristics or have reasonable explanations for slight deviations. Two managers, Columbus Circle and Zurich Scudder, continue to be watched carefully. Columbus Circle had a horrible November, but shows some signs of a rebound in December (beating their index by about 2%). The Deutsche Bank buyout of the Zurich Scudder investment arm is a matter of some concern, with announced layoffs and potential changes in corporate culture possibly affecting future performance.”

Regarding Enron, Mr. Maynard said PERSI had a very small position in that company. Before the final drop, our position was less than three-tenths of one percent of our portfolio. Some managers sold pre-existing positions when the price rose earlier, benefiting PERSI. The impact of this one company’s losses on PERSI is insignificant – the portfolio loses or gains that amount in any 20- minute period. He also discussed the HP/COMPAQ merger process saying managers invested there will make independent choices as they vote their proxy’s, and are keeping us informed.

Other Investment Business: Chairman Olson opened the floor to comments from managers who were attending the meeting. They discussed economic issues saying there is some worry about the possibility of deflation. While there are signs of inflation in the service sector, there is already some deflation in the goods sector. The market is still looking for signs of corporate profits. Dennis Fitzpatrick noted that he is optimistic and expects a strong market in the next 12 months, looking for 10-11% in equity market returns. There is a lot of liquidity in the markets right now so there is plenty of money available to invest. Looking forward three or four years, Mr. Fitzpatrick said he sees a possible danger from inflationary pressures on the markets.

FISCAL

Expense Reports: The Administrative and Portfolio Expense reports had previously been furnished to the Board; Mr. Winkle reviewed the summary pages. In response to a question from the Board, CIO Maynard said legal expenses for two of our private equity investments were high; they were of the type that required our consultants to do more work than they would normally do. Deputy Attorney General Goodsell said the consultants contact us for approval when additional work is needed in these cases. Mr. Maynard had approved the additional work and said it provided final terms that give PERSI more control.

Mr. Winkle said there will be no formal PERSI budget presentation to JFAC this year; the legislative committee will spend more time on larger agency budgets. In alternate years, the less controversial agencies such as PERSI will have formal presentations. Staff will be available for any questions the committee might have and will be present for the supplemental budget hearing. The date for the supplemental hearing has not been set. Staff also may be asked to participate in orientation for new legislators.

January 3 has been set as the day for the Change of Employee Compensation (CEC) Committee to meet and to take input from state employees on compensation and benefits.

The final version of the auditor's comments had been was provided to the Board. The draft had been discussed at the October meeting.

Chairman Olson congratulated Senior Accountant Rhonda Yadon in behalf of all the staff who were involved in again obtaining the prestigious GFOA Certificate of Achievement for Excellence in Financial Reporting.

LEGAL:

EGTRRA Briefing: DC Plan Specialist Gay Lynn Bath discussed the changes in federal retirement law which may affect PERSI members. She provided copies of the Saver's Digest, a Mellon Financial Corporation information piece on the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. These will be provided to our members in their 401(k) statements. Copies of the fourth quarter 2001 Idaho PERSpectives newsletter also provided examples of the low income savers tax credit and other new incentives for retirement planning.

Amendments to PERSI 401(k) Plan: Mr. Goodsell briefly reviewed the EGTRRA changes as they affect the PERSI 401(k) plan which were outlined in his December 12, 2001 memorandum to the Board. By motion duly made by Trustee Sullivan seconded by Trustee Johnson and unanimously approved, the Board adopted the amendments to the PERSI 401(k) Plan as proposed effective January 1, 2002, except as otherwise provided.

Final Decision and Order Re: Woodruff: Mr. Goodsell had provided a memorandum dated December 12, 2001 regarding the disability application of Shirley Woodruff. The matter had come before a hearing officer and the recommended decision affirmed the Board's initial denial of application for disability retirement. By motion duly made by Trustee Johnson seconded by Trustee Simmons and unanimously approved, the Board issued the FINAL DECISION AND ORDER adopting the recommended decision of the hearing officer in the contested case of In the matter of the Disability Retirement Application of Shirley J. Woodruff, Case No. 99-50.

Enron Update: Mr. Goodsell said we have been approached by a legal firm to see if we have interest in joining other public funds in pursuing private actions or serving as co-lead plaintiff in class actions in security fraud cases, including against Enron. Mr. Goodsell reviewed

the current practice, which is simply to participate as a member of the class in security actions, and discussed the potential advantages and disadvantages of becoming more actively involved in such litigation. There was discussion about the possible recovery amount, how it would affect Mellon who handles class actions for us on an on-going basis and whether Board or staff time would ultimately be effected adversely by further involvement. Mr. Goodsell will continue discussions with Mr. Maynard to determine whether modifications to the current practice would be beneficial to PERSI.

EXECUTIVE DIRECTOR:

New Employers: By motion duly made by Trustee Johnson seconded by Trustee Sullivan and unanimously approved, the Board welcomed Orofino Creek-Whiskey Creek Water and Sewer as a new employer to PERSI with an effective date of January 1, 2002.

Status Update: The Board had previously received the monthly status memo that summarized the projects in which PERSI is involved. Mr. Winkle reviewed this memo saying another meeting about the 820 building is scheduled for later this week. He will bring recommendations and more details to the Board in January.

Other Business: Chairman Olson wished everyone a Happy Holiday and thanked PERSI staff who had joined the meeting, for their work during the year.

FUTURE BOARD MEETINGS

Tuesday, January 22, 2002 8:30 a.m., Boise - PERSI office
Tuesday, February 26, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, March 19, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, April 23, 2002, 8:30 a.m., Boise - PERSI office
May 14, 15 – PERSI Investment Conference
Tuesday, May 28, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, June 25, 2002, 9:30 a.m., Coeur d’Alene, Idaho
Tuesday, July 23, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, August 27, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, September 24, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, October 22, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, November 26, 2002, 8:30 a.m., Boise - PERSI office
Tuesday, December 17, 2002, 8:30 a.m., Boise - PERSI office

Adjournment: There being no further business to conduct, the meeting was adjourned at 9:55 a.m.

Jody B. Olson
Chairman

Alan H. Winkle
Executive Director